MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BME1024 – INTRODUCTORY MACROECONOMICS

(All sections/Groups)

8 JULY 2023
9.00am -11.00am

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 2 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) Explain **TWO (2)** factors that determine the long run growth rate. (10 marks)

(b) Discuss **THREE (3)** main types of unemployment in the economy. (15 marks)

(Total: 25 marks)

QUESTION 2

(a) According to the World Bank, the Ukraine's economy was expected to shrink by 45% in 2022 due to shock of war. Explain how the war impacts the Ukraine's economy, using an AD-AS diagram. (10 marks)

(b) Suppose that an economy has potential Gross Domestic Product (GDP) at $15 billion and equilibrium GDP at $10 billion.

i. Calculate and explain the recessionary GDP gap. (5 marks)

ii. Given the MPC 0.75, if the government intent to restore the economy to potential level with tax cuts, determine the size of tax multiplier and therefore the amount of tax reductions needed to achieve the goal. (10 marks)

(Total: 25 marks)

QUESTION 3

(a) What is expansionary monetary policy? Explain the influence of expansionary monetary policy on equilibrium GDP. How the monetary policy addresses the problem of slow economic growth? (10 marks)

(b) There is a consistent relationship between the long run aggregate supply curve (LRAS) and the long run Philips curve (LRPC). Draw a graph of each and discuss the relationship between LRAS and LRPC. (15 marks)

(Total: 25 marks)

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QUESTION 4

(a) What is free trade? Graphically compare the trade before and after a protective tariff being imposed by government. (10 marks)

(b) Define digital economy in Malaysia context. Explain the importance of digital economy from the society, business and government perspectives. (15 marks)

(Total: 25 marks)

End of Paper